



MOEX GOES TO ST PETERSBURG

On 17 June, the MOEX delegation, led by CEO Alexander Afanasiev, arrived in Russia's Northern capital for this year's St Petersburg International Economic Forum.

Despite a challenging economic environment in Russia, there was a notable air of business as usual at this year's forum. The event was attended by around 7,000 senior politicians and businessmen, with 1,000 international companies represented, including the global heads of BP, Royal Dutch Shell, Total and Alibaba.

CEO Alexander Afanasiev took the stage for a panel discussion on "The Big Shift to Domestic Sourcing of Capital", alongside fellow panellists from the Russian Ministry of Finance and the Ministry of Economic Development, the Pension Fund of the Russian Federation, legendary global investor and MOEX shareholder Jim Rogers, the heads of VTB Capital, Deutsche Bank Russia and others. Panellists talked about how Russia has been taking steps to diversify its sources of funding, as the role of domestic capital markets has grown.

The MOEX team took full advantage of the strong representation from both West and East, with an active programme of meetings with partners from around the world. In addition, Afanasiev picked up on some of the key themes from his panel discussion in a live interview with Bloomberg, while MOEX's First Deputy CEO Andrey Shemetov had his successful Chinese television debut when he spoke to China's CCTV.

All in all the forum was a success, and the MOEX team also used the occasion to remind the market about its own upcoming conferences in New York in September and London in November.

MOEX AWARDED FOR IR EXCELLENCE

At the annual IR Magazine Russia and CIS Awards, Moscow Exchange was recognised as Russia's best in investor relations among mid-cap companies. Additionally, Alexander Afanasiev was named Best CEO, Evgeny Fetisov was named Best CFO and Sergey Klinkov Best IR professional among Russian mid-caps.

The awards were based on an independent and authoritative survey carried out by Extel. This year 307 financial professionals, analysts and investors from 175 organizations voted on the Russia awards.

The Extel survey also benchmarked Russian companies against their European peers. MOEX placed fifth out of 49 European companies in the Specialty and Other Finance category.

"Good corporate governance, transparency and timely responsiveness to client needs remain Moscow Exchange's key priorities. As a public company and the largest financial markets infrastructure organisation, we strive to be a model of corporate openness in investor relations for all Russian issuers with securities trading on the Exchange," said CFO Evgeny Fetisov.

NEW OFFERINGS AND MARKET VOLUMES

Credit Bank of Moscow's IPO on MOEX

At the end of June, Credit Bank of Moscow's IPO became the third equity offering carried out on Moscow Exchange this year. The Moscow-focused bank sold an 18.8% stake to raise RUB 13.2 bln (\$238 mln), and now trades on MOEX under the CBOM ticker. A wide range of investors participated in the transaction, with non-residents purchasing approximately 27% of the offering, 66% being bought by Russian institutions and 7% by private investors. Based on the offer price of RUB 3.62 per share, the Company has a market value of RUB 70.2 bln (\$1.26 bln).

MOEX CEO Alexander Afanasiev said: "The successful placement of shares among a broad pool of investors is one additional confirmation that the market remains open for high-quality issuers. We wish Credit Bank of Moscow well in its life as a public company."

VTB Capital acted as sole global coordinator and bookrunner on the offering with GK Region and Aton acting as co-lead managers.



Derivatives and FX Markets drive Q2 volume growth

The Derivatives and FX Markets posted the strongest growth throughout the second quarter of 2015. On a year-on-year basis the Derivatives Market grew 49% in April, 33% in May and 87% in June. June volumes totalled RUB 6.6 trln, or 125.9 mln contracts. Open interest at the end of the quarter was RUB 440.1 bln.

On a year-on-year basis, the FX Market rose 38% in April, 27% in May and 60% in June. FX Market turnover totalled RUB 27.9 trln in June, with average daily trading volume of RUB 1,326.9 bln (\$24.4 bln), compared to RUB 873.4 bln in June 2014.

Repo with the CCP remains the fastest-growing instrument on the Money Market. In April, trading volumes of CCP-cleared repo totalled RUB 4.4, a year-on-year increase of approximately three times and a monthly record since the instrument was launched. That record was beaten in June, with RUB 4.6 trln in volumes.

Gold trading continued to grow rapidly throughout the quarter. A new record was set in June, with RUB 8.6 bln (3.8 tonnes) in trading volume, 21.6 times more than in June 2014.

NEW SERVICES AND FUNCTIONALITY

OFZs switch to T+1, block trading, opening auction for equities

On 1 June Moscow Exchange implemented a number of upgrades and new product roll-outs to the bond, equity and repo markets.

Among the upgrades, all anonymous trading in OFZs now settles on the T+1 cycle, replacing T0 and T+2 settlement. The switch reduces costs to participants and has increased trading volumes. The elimination of pre-funding requirements under T0 has also increased efficiency for market makers.

1 June also saw the start of block trading in OFZs. Lot sizes are a minimum of RUB 50 mln. Participants can fill large orders at the average market price, thereby reducing transaction costs and having a minimum effect on market price. The auctions are held twice daily, from 11:47 am to 12:00 pm MSK, and from 4:47 pm to 5:00 pm MSK.

Moscow Exchange also introduced an opening auction for equities at the beginning of June. The auction runs from 9:50 am to 10:00 am MSK and replaces the pre-trading period. The auctions allow participants to enter market orders, ensuring that the opening price is a true market price and protecting the market price from manipulation.

BUSINESS DEVELOPMENT AND INTERNATIONAL COOPERATION

MoU signed with China Financial Futures Exchange

China Financial Futures Exchange (CFFEX) and Moscow Exchange signed a Memorandum of Understanding (MoU) during a working visit by the Central Bank of Russia and the Exchange to Shanghai in July.

Driven by a substantially increasing Renminbi turnover on MOEX and growing demand for hedging of such transactions, Moscow Exchange began trading futures on Chinese Renminbi-Russian Rouble currency pair in March 2015. The signing of this MoU clears the way for MOEX and CFFEX to discuss possible cooperation plans on CNY/RUB futures.

MOEX CEO Alexander Afanasiev said, "In recent years China has become Russia's biggest trading partner, and that cross-border commerce is increasingly settled in our national currencies. Likewise, Yuan-Rouble trading on Moscow Exchange has grown rapidly, increasing sevenfold last year alone. **continued on page 3**



Based on client demand, we additionally launched Yuan-Rouble futures trading earlier this year, and in just a few months the instrument has become a core offering on our FX derivatives platform. Today's MoU with CFFEX is the first step in exploring new opportunities for cooperation on FX futures among other products."

NSD forges cooperation with Chinese CSD

In June National Settlement Depository (NSD), Russia's central securities depository, and China Central Depository and Clearing Co., Ltd. (CCDC), China's central securities depository servicing governmental securities, signed a Memorandum of Understanding. The parties agreed to share experience and information, to develop cooperation in the sphere of depository and settlement operations, operational interactions using corresponding accounts (links), corporate actions processing and information services.

Eddie Astanin, Chairman of the NSD Executive Board, said: "China's huge investment potential in the Russian market, and Russian issuers' and market participants' interest in financial instruments and assets of the Chinese market create a demand for the CSD services in both countries. The MoU signed by CCDC and NSD is an important step which benefits our companies."

RISK MANAGEMENT AND CLEARING

Margin rates cut for FX, equities, bonds and derivatives

On 8 June Moscow Exchange decreased the minimum initial margin requirements on the FX, Equity & Bond and Derivatives markets.

On the FX Market initial margin rates fell from 11% to 9%; on the Equity & Bond Market rates were reduced from 18% to 15% for the most liquid shares; and for OFZs requirements decreased between one and five percentage points. Minimum initial margin requirements were set at 9% for USD/RUB futures, 10% for RTS Index futures and 10% for MICEX Index futures.

Moscow Exchange is gradually reducing margin rates as the Russian financial market continues to stabilise. The previous reduction in margin requirements occurred on 1 April 2015.

Minimum initial margin requirements were increased in December 2014 in response to substantial volatility in the rouble exchange rate and on the Russian securities market.

New waterfall clearing mechanism proposed

Moscow Exchange Group, in close coordination with market participants, has developed a proposal for an improved waterfall mechanism to cover losses related to the default of one or more clearing members. The new mechanism is being developed at the behest of the Central Bank of Russia, the mega-regulator of the country's financial system. The proposal is fully in line with the latest requirements laid out by the international oversight body CPMI-IOSCO as well as those of the EU regulator EMIR.

The major change under the new proposal is that the central counterparty will have to ring fence a minimum capital so as to ensure its ability to service markets even under extreme circumstances. As a result, a limit will be instituted on the liability of the central counterparty for participants of the Equity & Bond Market and Money Market. Such a system has already been in place for the Derivatives Market since its inception. The central counterparty's liability limit will not exceed its dedicated capital for covering a default ('skin in the game') and any supplementary capital above the CCP's minimum capital.

Under the new waterfall system, as it is the case now, losses will be initially covered by the collateral of the defaulting market participant and its contributions to the clearing fund. Any residual losses will be covered by the central counterparty's dedicated capital ('skin in the game') and non-defaulter's contributions to the clearing fund, respectively. In the case of extreme and unforeseen market conditions violating the central counterparty's stress scenarios (a combination of extreme but plausible market scenarios coupled with a number of large simultaneous defaults that are used to assess the overall adequacy of all safeguards in place) then, as a last resort, the uncovered remaining losses would be allocated among the remaining non-defaulting clearing members.

The application of the loss allocation mechanism will be restricted to the affected markets and products, thus avoiding contamination across markets. Therefore, the central counterparty's dedicated capital ('skin in the game') and all non-defaulters assets in unaffected markets will always be protected, thus preserving market continuity. NCC Bank assigns an extremely low probability to such extreme and unforeseen scenarios.

These proposed changes are expected to increase overall stability and resilience of the Russian financial system, providing market participants with greater protection from systemic risk.

CORPORATE ACTIONS

NSD News: Corporate actions reform enshrined in law

On 29 June President Putin signed into law a number of changes to securities legislation that clear the way for the completion of a major reform of corporate actions in Russia. In recent years National Securities Depository (NSD), in cooperation with the regulator and market participants, has been working to modernise the system of corporate actions executed by Russian issuers. This year, several major Russian issuers used one of the key elements of that reform program for the first time, the ability for shareholders to vote electronically by proxy on corporate actions requiring shareholder approval (“e-proxy voting”). For instance, e-proxy voting was available for Sberbank’s AGM in May. The technology used has also been dramatically improved, with ISO-20022 now in place.

The second major element of the reform program is the creation of a corporate information centre at the NSD. The centre will be a single-source, highly reliable online clearinghouse for everything related to corporate actions. The centre is expected to be up and running as soon as July 2016.

Both of these important initiatives are now enshrined in Russian legislation that will formally come into force on 1 July 2016.

IT INFRASTRUCTURE

IT News: Plan to separate matching and clearing engines

Moscow Exchange Group’s trading and clearing systems are undergoing their biggest change ever: they are being converted to a modular design, in which each module will perform a well-defined functional role: matching, risk management, and clearing.

The current design, in which functional components are closely knit together, delivers exceptional performance but suffers from certain drawbacks – tight coupling of components negatively impacts resiliency and scalability. Also, the complexity of an “all-in-one” arrangement makes it difficult to implement changes in a business process. The Exchange’s goal is to fix the shortcomings, and prepare the technological platform for the upcoming changes in the business process, while retaining the system performance level.

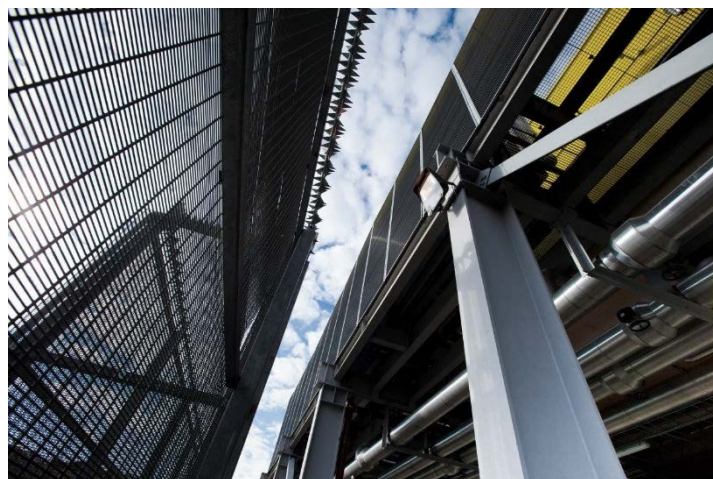
The centrepiece of the new design is an ultra-fast messaging layer built on top of the commercial middleware product,

IBM LLM, allowing multiple modules to interact with each other without loss of speed. The protocol connecting the components allows for a “many-to-many” communication pattern, which means the Exchange can begin to scale both its matching and clearing modules, for better overall system throughput and resilience. The design also anticipates “autonomous trading mode” – a possibility to continue to match incoming orders while one or more clearing modules are being restarted.

The transition to a new architecture is a multistep process, with initial stages of the updated systems expected to be rolled out late this year. The process will run in parallel with the move to the new Dataspace-1 data centre, where the strengths of the new modular design will be amplified by the Infiniband connectivity fabric.

Analysts and investors tour new data centre

Moscow Exchange is currently in the early stages of moving data centres to its new home at Dataspace-1 Moscow, the only Tier-III certified public data centre in Russia. On 9 June a group of 21 investors and analysts attended a visit to the centre for a presentation and tour. Sergei Poliakoff, MOEX Chief Information Officer, gave a presentation to those assembled on the key points of MOEX IT strategy. The presentation lasted for around an hour and a half and fully engaged the audience by explaining a number of very complex technical issues in accessible language.



After the presentation, the visitors were taken into the data centre itself for a tour of the ultra-modern facility. After undergoing IRIS and biometric hand scans, the visitors viewed live streams showing all the processes ongoing at the data centre, the underground fuel tanks, and the firefighting and anti-blackout systems.

All in all, the day was a success, helping to enlighten analysts and investors as to the future of Moscow Exchange’s technology infrastructure.

CORPORATE NEWS

MOEX in the news: Alexander Afanasiev on Bloomberg TV

MOEX CEO Alexander Afanasiev sat down with Bloomberg TV's Ryan Chilcote during the St Petersburg International Economic Forum to talk about the latest developments in the Russian market. Despite the current challenging environment, Afanasiev noted that investors have not been leaving the Russian market – in fact the opposite, with the share of non-resident accounts in equities and derivatives trading has significantly increased over the past year. Moscow is now a part of the global trading community, with all the openness, transparency and protection of investors' rights that this implies. The "sleeping beauty" of Russian retail investors has also woken up in the last year, Afanasiev said. You can watch Alexander Afanasiev's interview in full [here](#).



MOEX pays RUB 8.8 billion in dividends

On 16 June, Moscow Exchange completed dividend payments to shareholders for 2014. The dividend was RUB 3.87 per ordinary share for a total of RUB 8.8 billion, or 55.12% of the Exchange's 2014 consolidated net profit under IFRS. This represented one of the highest proportions of profit returned to shareholders among Russian companies and the highest dividend yield of any publicly traded exchange group globally.

The dividend payment was approved at the company's AGM on 28 April in accordance with the recommendation of Moscow Exchange's Supervisory Board. Moscow Exchange's Dividend Policy called for dividends of no less than 50% of net profit for 2014.

Moscow Exchange reports record Q1 earnings

Moscow Exchange reported its sixth straight quarter of record financial results on May 14. In the first quarter MOEX grew operating income 82.4% year-on-year to RUB 11.87 bln and net income increased 127.2% year-on-year to RUB 7.20 bln.

The Exchange's strong earnings growth was driven by fees and commissions generated by Money Market and Depository and Settlement Services, as well as higher net interest income. Basic earnings per share increased to RUB 3.25 from RUB 1.45.

Evgeny Fetisov, Chief Financial Officer, said: "We have reported the best quarterly results in the company's history thanks to growth in trading volumes across most markets as well as increased client balances and a supportive interest rate environment. The Group's business model will continue to deliver strong results in subsequent quarters even as interest rates decline and the share of interest income returns to more typical levels. During the quarter we continued to demonstrate cost discipline in the high-inflation environment, with operating cost growth of only 11.9%. Combined with strong top-line growth this led to an increase of the EBITDA margin to 79.3%."

MOEX AGM votes in new board

Moscow Exchange held its Annual General Meeting of Shareholders (AGM) on 28 April. The AGM elected the new composition of the Supervisory Board, with 15 directors including five non-executive independent directors voted in. Andrey Sharonov, Dean of the Moscow School of Management Skolkovo and a respected former deputy mayor of Moscow, joined the board for the first time as an independent director. Former Deputy Prime Minister and Finance Minister Alexey Kudrin was re-elected chairman of the Supervisory Board.

Shareholders also approved a reduction in the number of Supervisory Board members to 12, to be elected at the 2016 AGM.

Shareholders approved a dividend for 2014 of RUB 8.82 bln, or 55.12% of consolidated IFRS net profit.

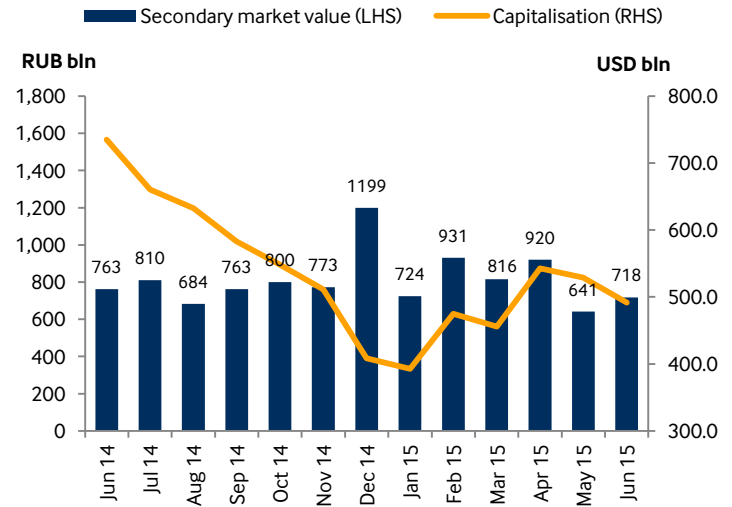
Shareholders also approved a new three-year term for Alexander Afanasiev as CEO.

EQUITY MARKET (STOCKS, RDRs AND INV. FUNDS UNITS)

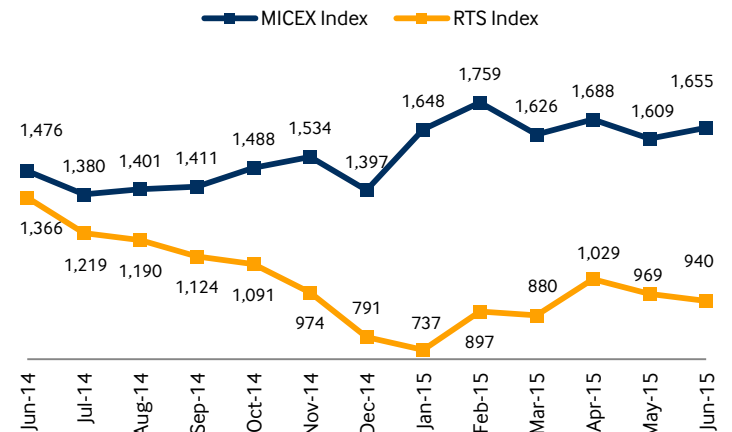
The trading volume of stocks totalled RUB 2.3 trln in 1Q 2015. The average daily trading volume was RUB 37.4 bln. The T+2 sector made up 94% of the total secondary market trading volume and the T0 sector accounted for 6%.

The MICEX Index was up 1.7% to 1,654.55 at the end of the 2Q 2015 from 1,626.18 at the end of 1Q 2015. The dollar-denominated RTS Index was also up 6.8% to 939.93 from 880.42. The cash equity market's capitalisation appreciated 7.9% to USD 491.74 bln from USD 455.7 bln at the end of 2015.

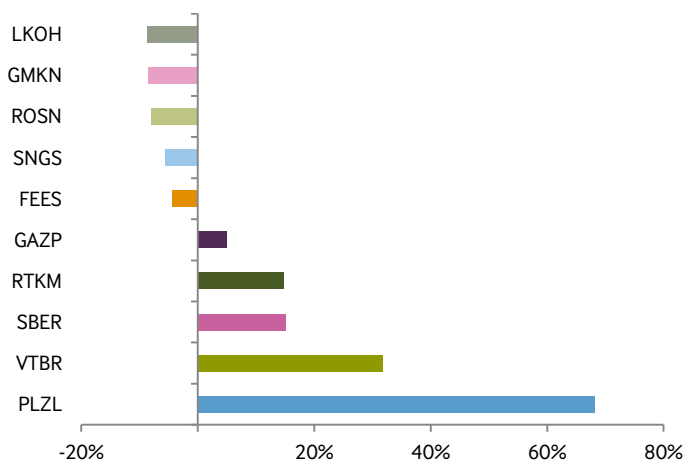
VALUE TRADED IN STOCKS, RDRs, AND INVESTMENT FUND UNITS



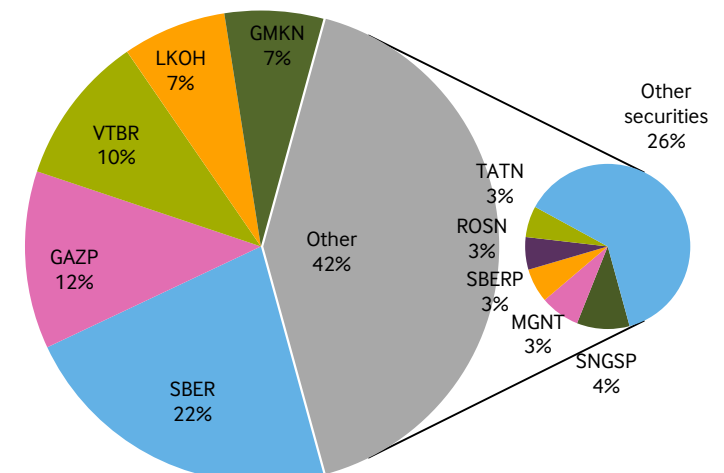
MICEX INDEX and RTS INDEX PERFORMANCE



2Q 2015 CHANGES IN BLUE CHIPS CLOSING PRICES



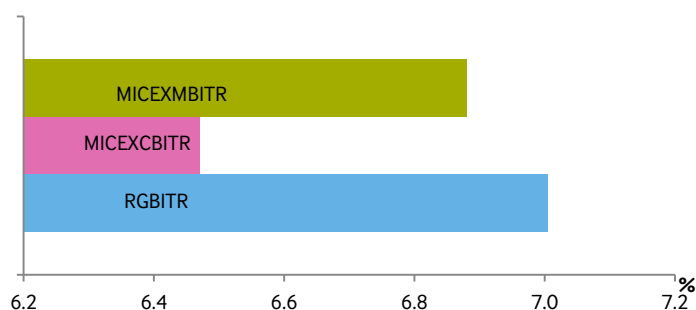
2Q 2015 BEST SELLERS ON EQUITY MARKET



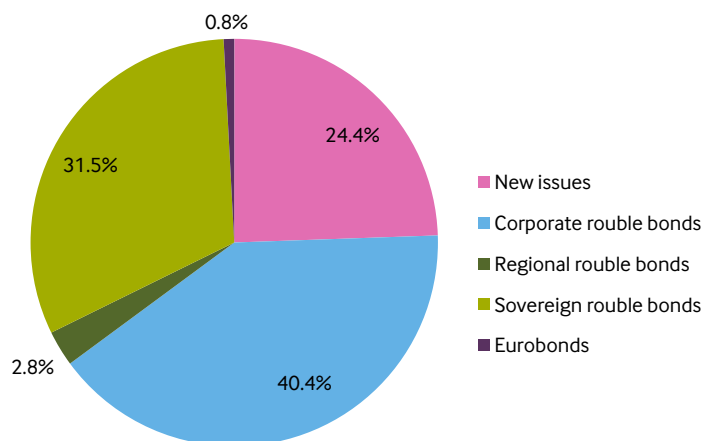
MARKET FOR CORPORATE, REGIONAL AND GOVERNMENT BONDS AND EUROBONDS

The Russian Government Bond Index (RGBITR) rose 7% in the 2Q 2015 to 325.2 (from 303.91 at the end of the 1Q 2015). The MICEX Municipal Bond Index (MICEXMBITR) was up 6.9% to 185.96 (from 173.99). The MICEX Corporate Bond Index (MICEXCBITR) was up 6.5% to 267.7 (from 251.43).

2Q 2015 CHANGE IN BOND INDICES

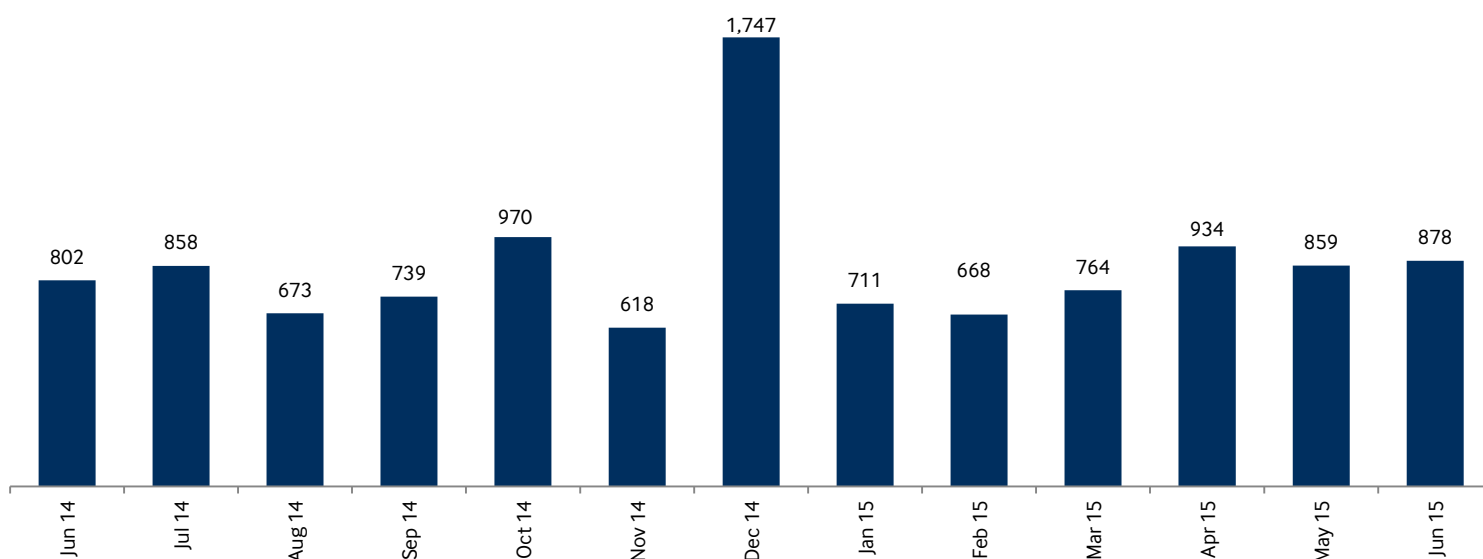


2Q 2015 TRADING VOLUME



TOTAL VALUE TRADED ON PRIMARY AND SECONDARY BOND MARKETS

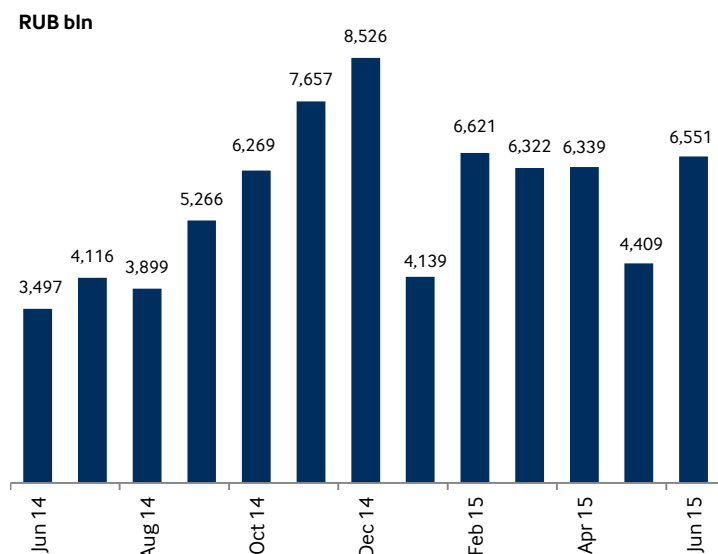
RUB bln



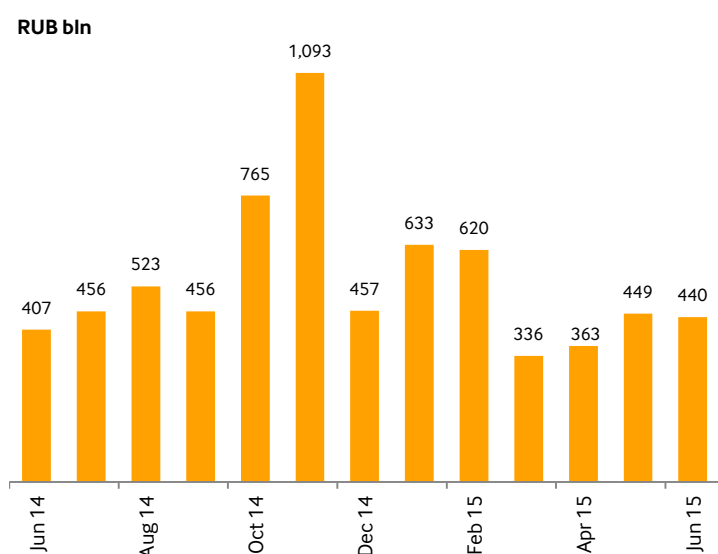
DERIVATIVES MARKET

The total volume traded on the Moscow Exchange's derivatives market in the 2Q 2015 was RUB 17.3 trln, or 348.3 mln contracts. The average daily volume was RUB 283.6 bln. The total open interest at the end of the quarter was RUB 440 bln, or 9 mln contracts.

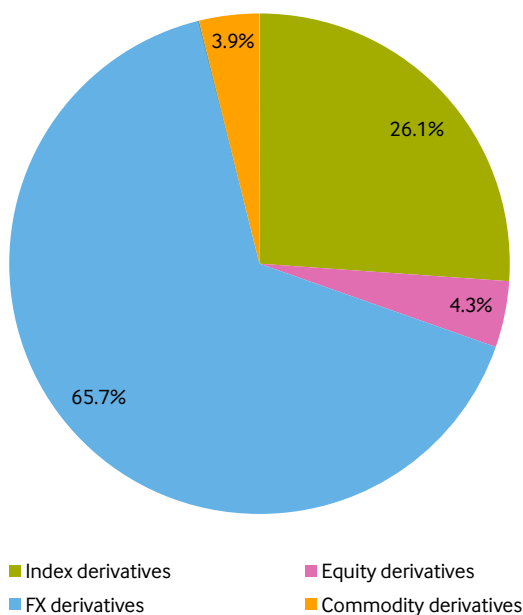
DERIVATIVES MARKET TRADING VOLUME



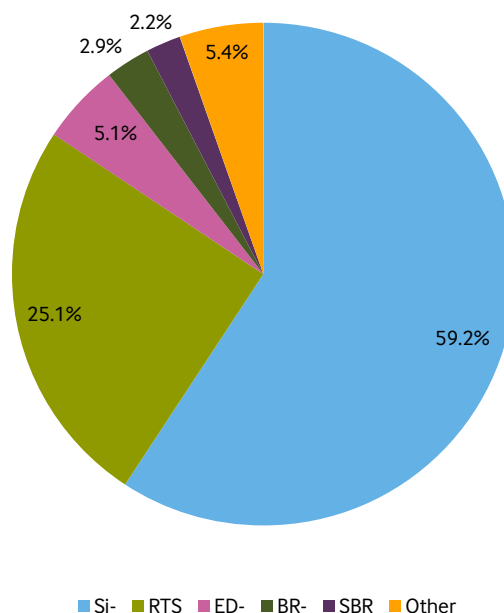
DERIVATIVES MARKET OPEN INTEREST



2Q 2015 TRADING VOLUME BY UNDERLYING ASSETS

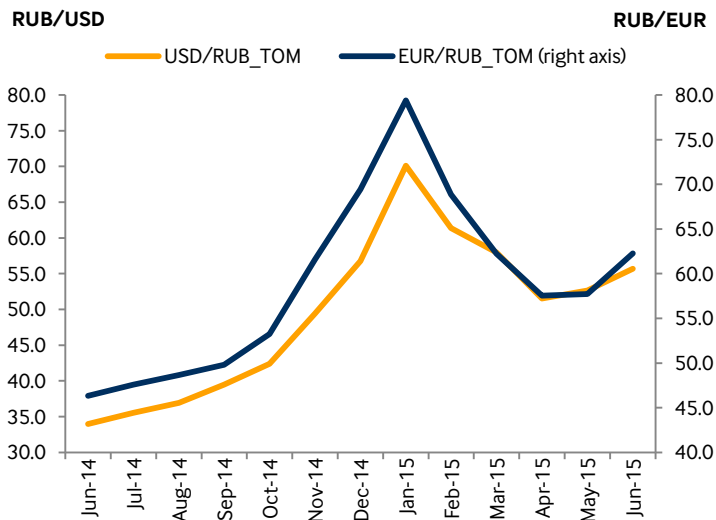


DERIVATIVES MARKET 2Q 2015 BEST SELLERS

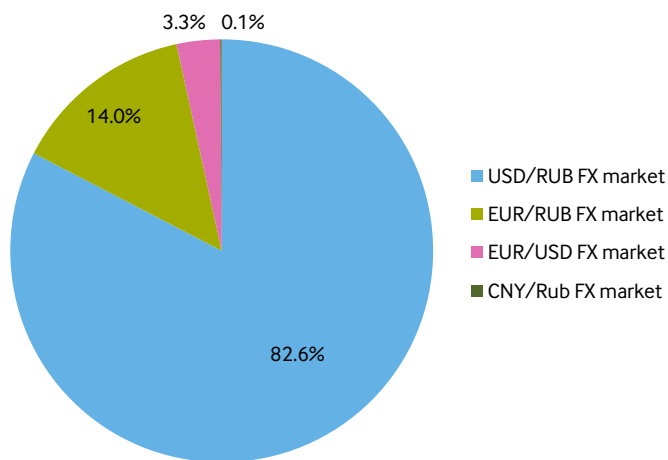


FX AND MONEY MARKET

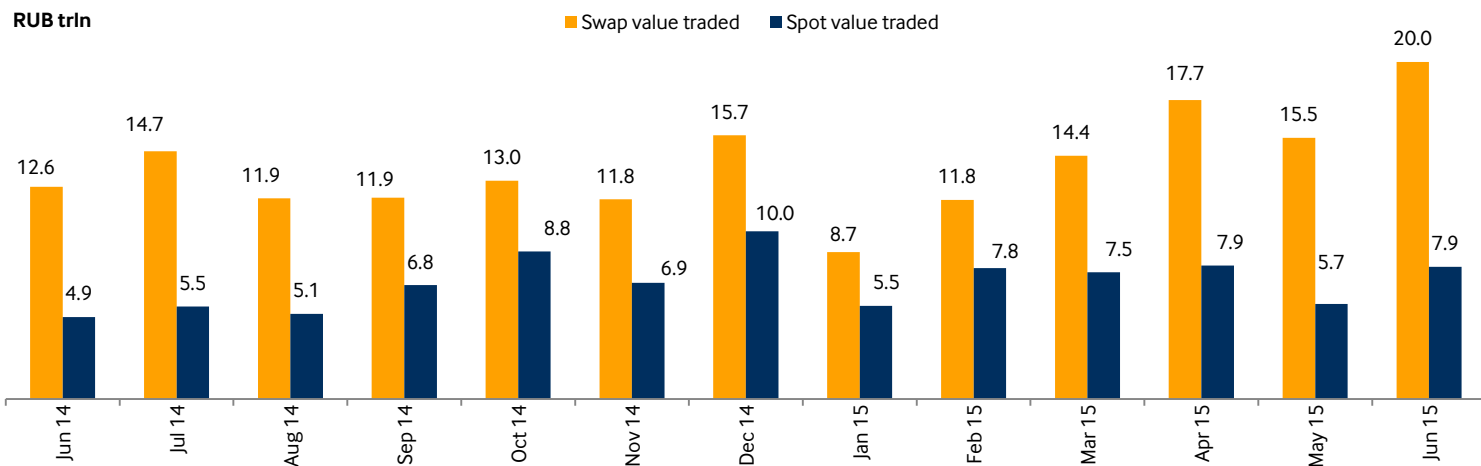
EXCHANGE RATES



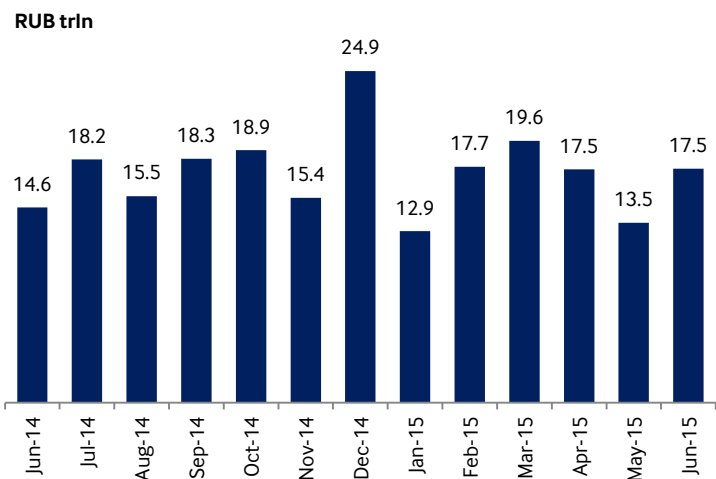
2Q 2015 TRADING VOLUMES



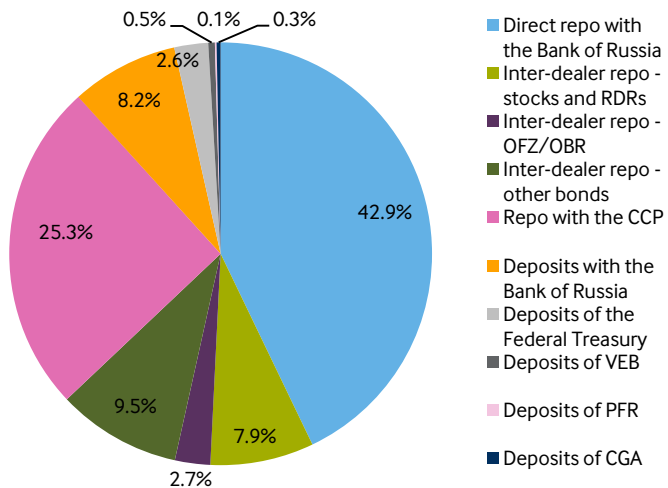
FX MARKET TRADING VOLUME



MONEY MARKET TURNOVER

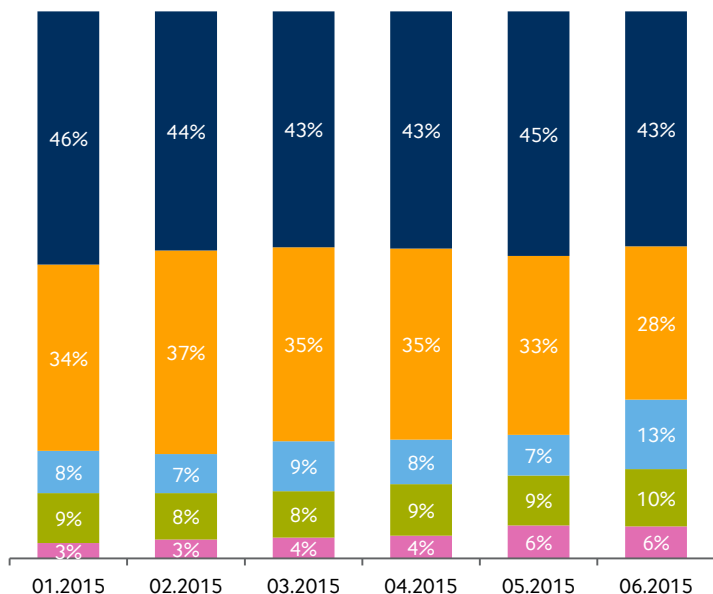


2Q 2015 TRADING VOLUME BREAKDOWN



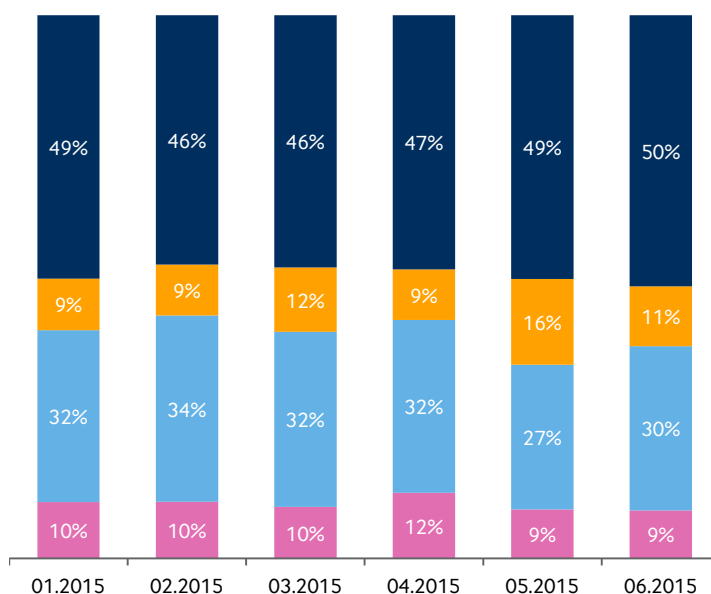
EQUITIES MARKET BY INVESTOR TYPE STRUCTURE

- Foreign investors
- Russian retail investors
- Russian banks and brokers prop.trading
- Russian corporates
- Russian funds



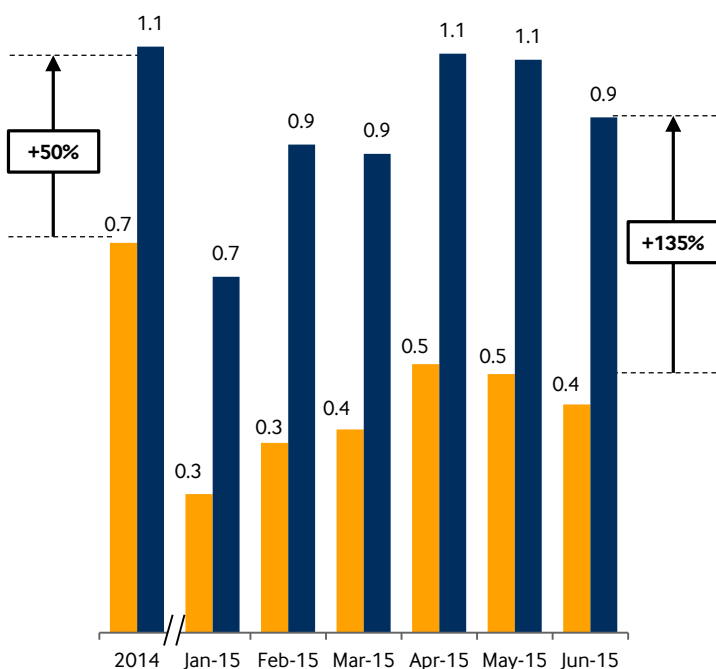
MARKET SHARE OF MOSCOW EXCHANGE VS LSE & OTC

- LSE OTC
- LSE on-book (IOB)
- Domestic OTC
- Moscow Exchange

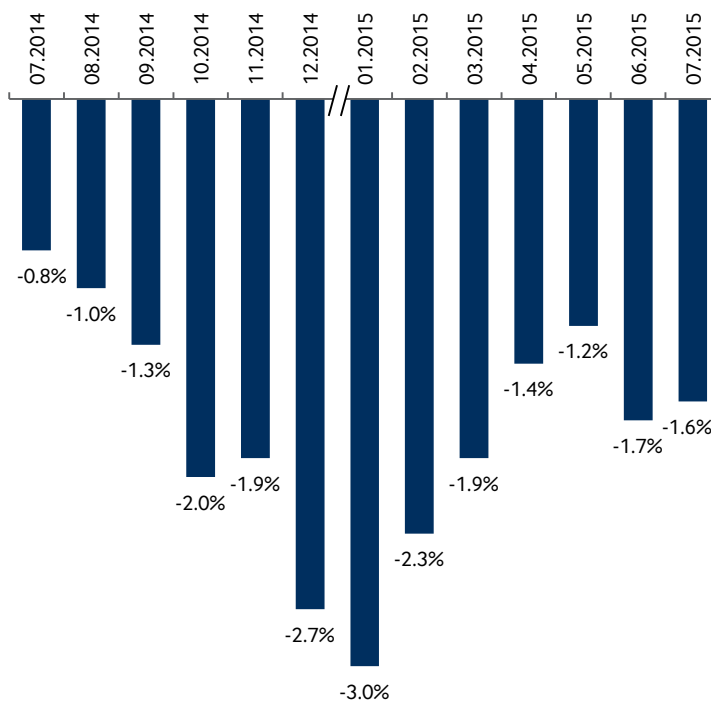


AVERAGE VISIBLE LIQUIDITY (VALUE OF LIMITED ORDERS IN BOOK)

- USD mln
- LSE IOB
- MOEX



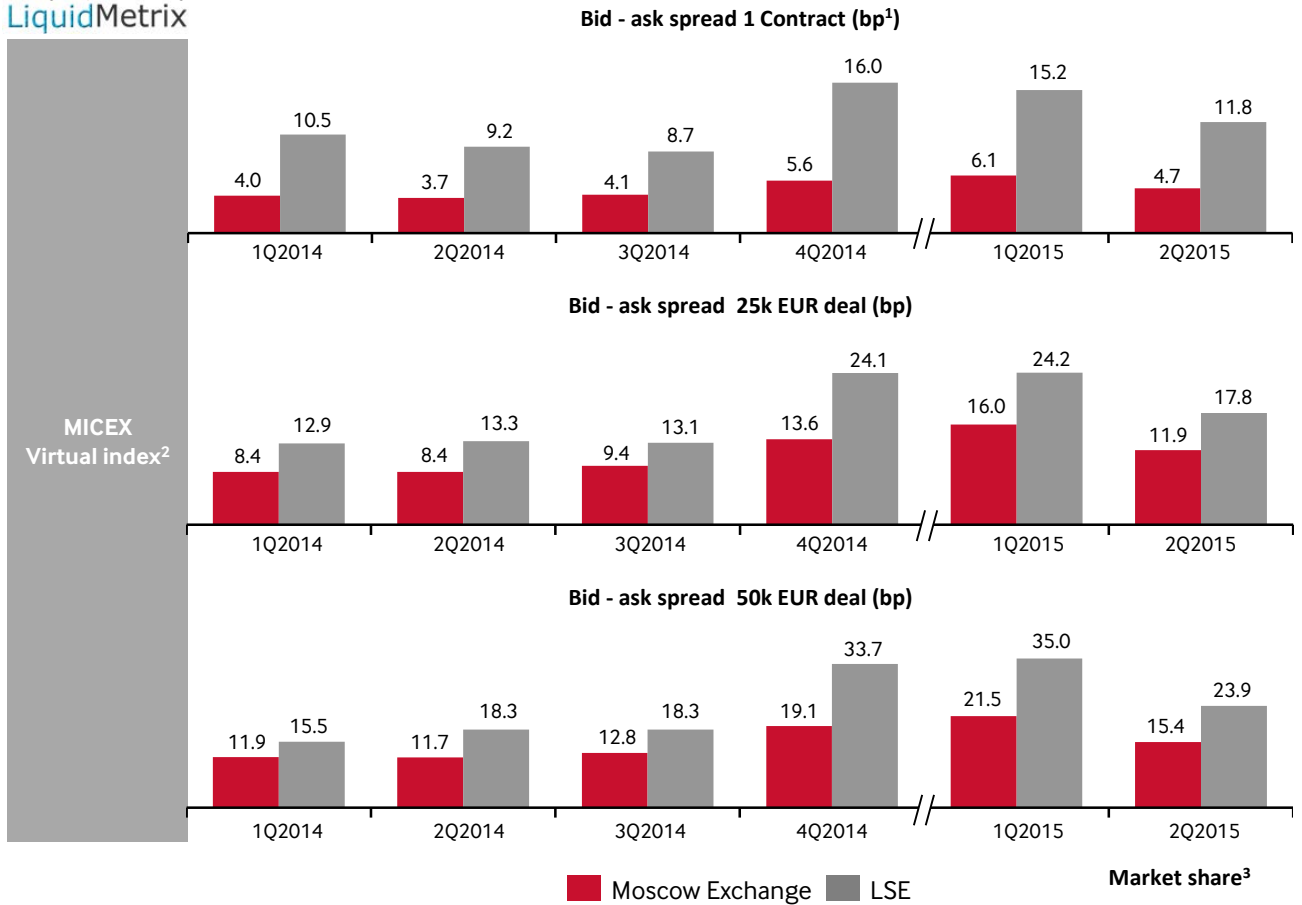
INDEX OF LOCAL SHARES PRICES DISCOUNT TO DRS PRICES (VW)





EOB SPREAD DYNAMICS: MOSCOW EXCHANGE vs LSE

Analysis provided by
LiquidMetrix



Notes:

Spreads measure the bid to offer spread of the best visible orders in the book, with the result based on measurements of the order books every 30 seconds.

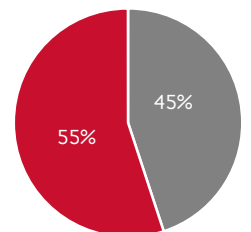
(1) The value for the spread is quoted in basis points (0.01%)

(2) MICEX Virtual Index – index calculated based on prices and EOB data of the most liquid Russian dual listed stocks

(3) Calculated based on EOB trading volumes of 32 most liquid Russian dual listed stocks

Source: LiquidMetrix

Market share³
2Q2015



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All data in this Newsletter unless otherwise stated is Moscow Exchange data. Rouble denominated trading volumes have been converted into USD terms based on an average RUB/USD exchange rate for the stated period. The information provided herein is intended for informational purposes only. This annotation does not provide any recommendations and guidance to take actions on financial markets.